

SENATE, No. 1104

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED JANUARY 30, 2020

Sponsored by:

Senator JOSEPH F. VITALE

District 19 (Middlesex)

Senator LINDA R. GREENSTEIN

District 14 (Mercer and Middlesex)

SYNOPSIS

Provides corporation business tax credit for certain investment in manufacturing equipment and manufacturing facility renovation, modernization, and expansion, or hiring and training of new employees for manufacturing purposes.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 4/13/2020)

1 AN ACT providing a corporation business tax credit for certain
2 investment in manufacturing equipment and manufacturing
3 facility renovation, modernization and expansion, or the hiring
4 and training of new employees for manufacturing purposes, and
5 supplementing P.L.1945, c.162 (C.54:10A-1 et seq.).
6

7 **BE IT ENACTED** by the Senate and General Assembly of the State
8 of New Jersey:
9

10 1. a. For privilege periods commencing on or after January 1,
11 2018 but before January 1, 2020, a taxpayer shall be allowed a
12 credit against the tax imposed pursuant to section 5 of
13 P.L.1945, c.162 (C.54:10A-5), in an amount equal to 10% of the
14 amount paid during the privilege period for:

15 (1) new manufacturing equipment installed at a new or existing
16 manufacturing facility located within a State-designated Smart
17 Growth Area, or

18 (2) the acquisition, construction, reconstruction, installation, or
19 erection of improvements or additions that result in the renovation,
20 modernization or expansion of a manufacturing facility located
21 within a State-designated Smart Growth Area, or

22 (3) the employment of any new full-time employee hired and
23 retained for no less than 365 days after the effective date of this act,
24 and who receives qualified manufacturing related job training
25 within six months of employment. For the purposes of this
26 paragraph, "full time employee" shall not include an employee who
27 is a resident of another state and whose income is not subject to the
28 "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., unless
29 that state has entered into a reciprocity agreement with the State of
30 New Jersey. An employer shall receive the greater of 10% of the
31 cost of training, salary, and benefits, which shall include medical
32 and pension contributions paid by the employer, or the deduction to
33 which the employer would be entitled under existing law.

34 An unused credit may be carried forward, if necessary, for use in
35 the seven privilege periods following the privilege period for which
36 the credit is allowed.

37 b. Credit shall not be allowed under
38 P.L.1993, c.170 (C.54:10A-5.4 et seq.), P.L.1993, c.171 (C.54:10A-
39 5.16 et al.), P.L.1993, c.175 (C.54:10A-5.24), or
40 P.L.2001, c.321 (C.54:10A-5.31 et seq.) for expenditures for which
41 a credit is allowed pursuant to subsection a. of this section.

42 c. The order of the application of the credit allowed under
43 subsection a. of this section and any other credits allowed by law
44 shall be based on the order in which completed applications are
45 received by the Department of the Treasury. The amount of the
46 credit applied under this section against the tax imposed pursuant to
47 section 5 of P.L.1945, c.162 (C.54:10A-5) for a privilege period,
48 together with any other credits allowed against the tax imposed

1 pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), shall not
2 exceed 50% of the tax liability otherwise due and shall not reduce
3 the tax liability to an amount less than the statutory minimum
4 provided in subsection (e) of section 5 of
5 P.L.1945, c.162 (C.54:10A-5).

6 d. As used in this section:

7 "Manufacturing equipment" means machinery, apparatus or
8 equipment used in the production of tangible personal property that
9 is eligible for the sales tax exemption pursuant to subsection a. of
10 section 25 of P.L.1980, c.105 (C.54:32B-8.13);

11 "Smart growth area" means Planning Area 1 (Metropolitan),
12 Planning Area 2 (Suburban), or a designated center or designated
13 growth center in an endorsed plan; a smart growth area and
14 planning area designated in a master plan adopted by the New
15 Jersey Meadowlands Commission pursuant to subsection (i) of
16 section 6 of P.L.1968, c.404 (C.13:17-6); a growth area designated
17 in the comprehensive management plan adopted pursuant to section
18 7 of the "Pinelands Protection Act," P.L.1979, c.111 (C.13:18A-8);
19 any area designated for growth in the Highlands regional master
20 plan adopted by the Highlands Water Protection and Planning
21 Council pursuant to P.L.2004, c.120 (C.13:20-1 et al.); a transit
22 village; an urban enterprise zone designated pursuant to
23 P.L.1983, c.303 (C.52:27H-60 et seq.) or P.L.2001, c.347
24 (C.52:27H-66.2 et al.); an area determined to be in need of
25 redevelopment or rehabilitation pursuant to P.L.1992, c.79
26 (C.40A:12A-1 et al.) and as approved by the Department of
27 Community Affairs; any area on which a green building conversion
28 redevelopment project is located; and federally owned land
29 approved for closure under a federal Base Realignment Closing
30 Commission action;

31 "Manufacturing facility" means a business location, including
32 but not limited to a factory, mill, or plant, at which more than 50%
33 of the business personal property that is housed in the facility is
34 manufacturing equipment; and

35 "Qualified manufacturing related job training" means (1)
36 occupational skills training or classroom instruction in performing a
37 job within the manufacturing industry that the trainee receives or
38 shall have received as an enrolled student at a county vocational
39 school or county college in this State, or at any other institution of
40 post-secondary education located in this State possessing such
41 accreditation as the Director of the Division of Taxation in the
42 Department of the Treasury shall require, or (2) on-the-job training
43 in such a job at premises located in this State owned and operated
44 by the trainee's employer.

45 On or before January 1, 2021, the Director of the Division of
46 Taxation in the Department of the Treasury shall prepare and
47 submit a report to the Governor and the Legislature, in accordance
48 with section 2 of P.L.1991, c.164 (C.52:14-19.1), addressing the

1 credits allowed pursuant to subsection a. of this section. The report
2 shall include the total value of credits allowed for each tax year, the
3 total number of qualified employees for which a credit was allowed
4 for each tax year, information on the division's experience in
5 administering the credits allowed pursuant to subsection a. of this
6 section, including, but not limited to, a description of increased
7 workload associated with the credit, and an analysis as to the
8 effectiveness of the credits as an incentive for encouraging the
9 employment of new manufacturing employees.

10
11 2. This act shall take effect immediately and apply to amounts
12 paid in privilege periods beginning after the date of enactment.

13 14 15 STATEMENT

16
17 This bill allows a taxpayer to apply for a corporation business
18 tax credit equal to either:

- 19 • 10% of the costs of new manufacturing equipment installed
20 at a new or existing manufacturing facility located in a
21 Smart Growth Area within this State, or
- 22 • 10% of the costs of improvements or additions that result in
23 the renovation, modernization or expansion of a
24 manufacturing facility located in a Smart Growth Area, or
- 25 • with respect to the employment of any new full-time
26 employee hired and retained for at least 365 days following
27 the effective date of the bill, the greater of 10% of the costs
28 of training, salary, and benefits, including employer paid
29 medical and pension contributions, or the deduction to which
30 the employer would be entitled under existing law.

31 The bill provides that expenditures in Smart Growth Areas for
32 manufacturing equipment and manufacturing facility renovation,
33 modernization, and expansion for which a credit is allowed under
34 this bill will not be expenditures for which a credit will be allowed
35 under the New Jobs Investment Tax Credit, the Manufacturing and
36 Employment Investment Tax Credit, the Research and Development
37 Credit, or the Effluent Treatment and Conveyance Equipment
38 Credit.

39 The bill defines "manufacturing equipment" as machinery,
40 apparatus or equipment used in the production of tangible personal
41 property that is eligible for the sales tax exemption for
42 manufacturing equipment. That is machinery, apparatus, or
43 equipment for use or consumption directly and primarily in the
44 production of tangible personal property by manufacturing,
45 processing, assembling, or refining, whose use is not incidental to
46 those activities, and which has a useful life of more than one year.
47 The bill defines a "manufacturing facility" as a business location,
48 including but not limited to a factory, mill, or plant, at which more

1 than 50% of the business personal property that is housed in the
2 facility is manufacturing equipment.

3 "Qualified manufacturing related job training" that would be
4 eligible for a credit under the bill includes instruction through a
5 county vocational school or county college within the State,
6 instruction through any institution of post-secondary education
7 located in the State that is accredited for this purpose by the
8 Director of the Division of Taxation in the Department of the
9 Treasury, and on-the-job training at sites within the State that are
10 owned and operated by the trainee's employer.

11 The bill also requires the Director of the Division of Taxation to
12 submit a report to the Governor and the Legislature, on or before
13 January 1, 2021, that includes a description of any increased
14 departmental workload associated with administering the credit and
15 an analysis of the effectiveness of the credit as an incentive for
16 encouraging the employment of new manufacturing employees.